

Governor Gray Davis' State of the State Address Transcript

Thank you very much. And Happy New Year to each and every one of you. Thank you, Lieutenant Governor Bustamante, Speaker Hertzberg and President Pro Tempore John Burton. Thank you for your leadership these past few years that I have been Governor. To all the distinguished Members of the Legislature, my thanks to you. My fellow Constitutional Officers, Chief Justice Ron George, and all of the Honorable Members of the Supreme Court, including the longest-serving member ever to serve in the Supreme Court, Stanley Mosk. Thank you.

To the Members of my Cabinet, friends and fellow Californians, again, please give me the privilege of welcoming the First Lady of California, my wife, Sharon Davis.

And I want to say "hello" to the other woman in my life, my mother, Doris Morrell, the woman who raised me to implement her vision. She's not here tonight. She's back home in Florida, watching on C-SPAN. At least I hope she's watching. It's a good bet she's either watching us or "Everybody Loves Raymond," one of the two.

Since the last time we met, California has lost three native sons, true servants of the people: State Senator Ken Maddy, United States Senator Alan Cranston, and Congressman Julian Dixon. They have all walked the floors of these chambers in which we meet tonight. And even though they served on opposite sides of the aisle, they shared a deep love for this State and an unmistakable commitment to improving the lives of Californians.

I know they're smiling down at us from the Lord's gallery tonight.

Kim Cranston and Bettye Lee Dixon could not be with us tonight but we are honored to have with us Senator Maddy's sister, Marilyn; his son, Don; and his daughter, DeAnna. Please welcome them and honor our dear departed colleagues.

For more than 150 years, it's been the duty of the Governor to report on the state of the State.

And once again, I'm proud to tell you that the state of the State is strong, healthy and growing.

The year 2000 brought us 417,000 new jobs; the lowest unemployment rate in 30 years; the largest increase in personal income in 16 years; retail sales up nine percent; exports up 25 percent.

My friends, we Californians are still living in the age of possibility; but it is also a time of great change and challenge.

We can no longer expect short-term stock market windfalls of ten billion dollars. We can no longer expect short-term stock market windfalls or ten-billion-dollar surpluses.

California's economy does remain fundamentally strong. It does continue to create new jobs and opportunity for our citizens. But our economy is also restabilizing, expanding at a more sustainable rate of growth.

We knew this day would come. That's why, over the past two years, we've budgeted the public dollars with caution and discretion, favoring one-time investments over long-term commitments; all the while, maintaining a healthy reserve.

And today, fiscal restraint is more important than ever. For as we all know, a dysfunctional energy market, driven by out-of-state energy companies and brokers, is threatening to disrupt people's lives and damage our economy.

You are all aware of the basic facts. In 1996 the Legislature and the Governor launched an untested restructuring of California's electricity market.

Under their plan, our three investor-owned utilities -- Pacific Gas and Electric, Southern California Edison and San Diego Gas and Electric -- were forced to sell off their generation capacity to unregulated private companies.

And the price of electricity, long regulated by the California Public Utilities Commission, was to be set, instead, in a free-wheeling commodities market.

Now, our job today is not to engage in an ideological debate over the pros and cons of deregulation, and I'm not here to point fingers or assign blame. I assume the proponents of deregulation really did envision lower energy costs and smaller electricity bills. They certainly didn't envision this mess.

But we must face reality. California's deregulation scheme is a colossal and dangerous failure. It has not lowered consumer prices; it has not increased supply. In fact, it has resulted in skyrocketing prices, price gouging, and an unreliable supply of electricity. In short, an energy nightmare.

Well, my friends, it's time for us to wake up.

The out-of-state generators who bought most of our utility's power plants are now charging California several hundred percent more for wholesale electricity than we paid just one year ago.

Senator Dianne Feinstein and I have repeatedly urged the Federal Energy Regulatory Commission to use its exclusive powers to lower these record prices. But despite our repeated demands, the Federal Energy Regulatory Commission has shirked its responsibilities to protect ratepayers from this legalized highway robbery.

In fact, the Commission made matters worse when, in December, they lifted the hard price cap, causing the average price per megawatt hour to increase nearly 900 percent, compared to the same month a year ago. That is like paying 25 dollars for a three-dollar gallon of milk.

Another problem with the California deregulation scheme is that we have literally lost control over our own power. We have surrendered the decisions about where electricity is sold and at what price to private companies with only one objective: Maximizing unheard of profits.

On many days, ten to twelve percent of electricity generated in California leaves our state in search of even more exorbitant prices elsewhere. On some occasions, the merchant generators have brought the State to the very brink of blackouts by refusing to sell us back our own power because they could find higher prices elsewhere.

Think about it: They're refusing to sell us our own power.

Worst of all, there's evidence that some generators may be withholding electricity from the California grid to create artificial scarcity; which, in turn, drives up the price astronomically.

My friends, electricity is not an exotic commodity like pork bellies, to be traded in the chaotic equivalent of a futures market; electricity is a basic necessity of life. It is the very fuel that powers our high-tech economy.

And make no mistake, we will regain control over the power that's generated in California and commit it to the public good.

Never again can we allow out-of-state profiteers to hold California hostage. Never again will we allow out-of-state generators to threaten to turn off our lights with the flip of their switch.

In the plan that I propose today, we will attack the problems of supply and price, both in the short-term and in the long-term.

As a down payment on this emergency effort, I've set aside one billion dollars in my budget to help stabilize the supply and price of electricity in the present and help provide new power generation to meet the demands of the future.

In the days that follow, I will ask you to pass legislation to take these immediate steps:

One, restructure the governing boards of the system operators, so we can replace the current advocates for the energy companies with advocates for the public.

Two, overhaul the crazy bidding process for electricity, which currently guarantees that every generator is paid according to the highest bid rather than according to their own bid.

Three, streamline the process for utilities to enter into low-cost, long-term contracts for electricity; and then apply pressure to out-of-state generators to supply that power.

Four, provide state regulatory agencies with the authority to order any functioning generating facility down for "unscheduled maintenance" to go back online.

Five, give the Public Utilities Commission 50 new inspectors to monitor and, if necessary, stand guard at any facility suspected of deliberately withholding power from the grid.

Six, make it a criminal act to deliberately withhold power from the grid, if it results in the imminent threat to public health or safety.

Seven, expand the authority available to the Governor under a state of emergency in the event of imminent power outages.

Eight, provide four million dollars to the Attorney General to investigate and prosecute possible racketeering, market manipulation, price fixing and other potential violations by merchant generators.

These generators may be acting within the law; but if they're illegally gaming or manipulating the market, the Attorney General will track them down.

All these steps we can and must take immediately.

But soon thereafter, we must do the following:

Repeal the law that allows the three major utilities to sell their remaining generating facilities. Instead, we must require them to hold onto those facilities and sell their power to California consumers.

Next, we must also require our municipal utilities to sell their excess power to California consumers at reasonable rates. Currently, they're free to sell their power to anyone in or out of the state. Next, I'm calling

on California to flex the enormous clout we have as consumers. We are 34 million strong and the sixth largest economy on the Earth. By reducing our electricity demand by even a small amount, we can reduce the price, avoid shortages, and lower energy bills.

So tonight, I'm asking every Californian to cut consumption by as much as seven percent, and we will back that up with a 250-million-dollar investment. We'll supply cash incentives for replacing inefficient refrigerators, washers and air conditioners with more efficient models; and we'll create energy-smart homes, schools, workplace and communities.

Every day, every Californian can contribute to the solution by turning off lights and appliances when not in use, shifting their use to off-peak times, using less heat and air-conditioning, reducing outdoor lighting displays, and turning off business equipment when not in use. For example, putting a computer on "sleep" mode reduces the power it would otherwise need by 40 percent.

The State will lead by example. Every single day State government will cut its consumption by at least eight percent. And during Stage 2 alerts we'll save at least 20 percent.

Now, to California consumers and businesses, let me be clear: Our goal is to provide reliable, reasonably-priced electricity to power the homes and businesses of this great State.

To the utilities and financial community, let me say this: I reject the irresponsible notion that we can afford to allow our major utilities to go bankrupt. Our fate is tied to their fate. Bankruptcy would mean that millions of Californians would be subject to electricity blackouts, public safety would be jeopardized, businesses would close, jobs would be lost, investment would flee the State, and our economy would suffer a devastating blow.

To my colleagues in the Legislature, I say this: We have met many challenges before. Together, we will meet this challenge and we will meet it quickly.

I will work with the Legislature, consumers, and the business community to address the financial condition of our utilities in the long-term.

My friends, there is no easy solution. But if I have to use the power of eminent domain to prevent generators from driving consumers into the dark and our utilities into bankruptcy, then that's exactly what I will do.

All of these measures I've just mentioned, I believe will provide relief in the short-term. But to build a reliable long-term supply of electricity, we must plan and invest now for the future.

For the 12 years before I took office, this State failed to build a single major power plant. Not one. Those days are gone.

Since April 1999, my Administration has licensed nine new power plants; five are under construction, as we speak.

But many more must be built to serve our growing population.

We must also provide low-interest financing for new peaking facilities and repowering of existing ones to make them cleaner and up to 40 percent more efficient. In return, these facilities must commit their power to California at reasonable rates.

Next, we must expand the generating capacity under the control of the Department of Water Resources, and we'll require the 141 campuses of the University of California, the State University System and the community colleges, to each move towards energy independence through cogeneration or other means. And we will develop means of committing State-owned lands for the siting of generating plants on the condition that the energy be distributed right here in California.

These are all important steps.

But there is no point in building more plants in our state if the electricity is going to flow out of our state.

The time has come to take control of our energy destiny, and that will require either a Joint Powers Authority among the State and our 30 municipal utilities to develop the additional power we need, or a California Public Power Authority that can buy and build new power plants.

I will work with the Legislature to determine which option will work best for California consumers and businesses. I'm not interested in any Utopian ideas; I want ideas that will work in the real world.

The remedies I'm proposing tonight are reasonable and necessary under the present extraordinary circumstances. But as I've said before, everyone should understand that there are other, more drastic measures that I am prepared to take, if I have to.

Now, as important as the energy situation is, we cannot and will not allow it to overwhelm the many other important challenges and opportunities we face as a state.

We have proven together that by placing the common good ahead of partisan advantage, we can develop practical solutions on the issues that confront the people of this great State.

And that is exactly what we will do again this year.

My friends, we have a special responsibility to the citizens of California. They don't expect government to address every issue on the planet. In fact, they only demand three things: Fix what's broken, improve what's ailing, and leave the rest alone.

Together, we have demonstrated that it matters not whether an idea comes from a Republican or a Democrat; what matters is whether the idea is right or wrong and, most importantly, whether it will work.

From the bottom of my heart, I would like to thank the Members of this Legislature for the most productive two-year session in recent memory.

Rarely, in our generation's history, have the Governor and the Legislature worked so closely together to produce so many good results.

We passed two budgets in a row: In balance, on time.

We put a prosperity dividend back into people's pockets, providing tax relief in record amounts.

We funded and equipped our law enforcement at its greatest strength ever.

And having said that, please join me in recognizing five extraordinary public servants sitting right behind my wife, Sheriff Les Weidman of Stanislaus County; Lee Baca, Sheriff of Los Angeles; Lou Blanas, Sheriff of Sacramento County; Mike Corona, Sheriff of Orange County; and Commissioner Spike Helmick of the California Highway Patrol. Thank you for a job well done. Thank you.

Continuing with our achievements, we reformed HMOs. We made record investments, long overdue, in our parks and water. We passed the toughest gun safety laws in the nation. And we've taken the edge off "wedge" issues.

That is not all we've done. We've opened wide the doors to college with merit scholarships and Cal Grants.

Never again in California will a student who succeeds in school be denied a college education because they lacked the money; and for that, I thank each and every one of you, particularly Senator John Burton.

On roads and railways, from one end of the State to the other, you will begin to see the results of our history-making transportation initiative.

All of this we're doing within our means. That was my promise two years ago and that is my promise today.

My friends, no single issue better personifies our bipartisan resolve than our collective desire to improve California public schools.

Over the last two years we've invested in education like our future depends on it, because it does.

We've asked more of our students and schools than ever before.

We've put in place the building blocks of achievement. High standards, accountability, technology, modern facilities, new tools for learning. The most aggressive teacher incentive program in America, including the biggest performance bonuses in the nation; and, most importantly, our hard work is paying off. Test scores are up, student confidence is higher, public support is growing. All across the State, we are turning higher expectations into better student achievement. I thank you for that.

You know, as well as I, the fight for our children's future will not be won overnight. But know this: We are winning it. Let me just take one school, Melvin Avenue Elementary School in Los Angeles.

Two years ago Melvin was like a lot of other schools in California: Underfunded, overcrowded, underperforming.

Two years later, things are changing, expectations are higher, students are motivated, parents are involved, teachers are more skilled.

Two years ago, Melvin was a school without a direction. Today it is a full partner in our new accountability program.

Two years ago, Melvin's teachers were undertrained and underpaid. Today, they're better paid and better trained. One of them has been nationally certified and seven more soon will be.

Two years ago, Melvin was using materials and books that were older than many of the teachers. Today, they have new textbooks; their classroom libraries will soon be fully-stocked. And by the end of the school year, they are confident every classroom will have Internet access and one computer for every six students.

Two years ago, Melvin's reading scores were among the lowest in the state. Today, 200 of their kids are attending our Reading Academies. Every primary teacher has attended our Professional Development Institutes. And this year, Melvin Avenue improved 79 points on the Academic Performance Index, six times better than their statewide target.

Ladies and gentlemen, please welcome Susan Grossman, the principal of Melvin; its nationally certified teacher, Sangeeta Maithel; and one of its top students, Hugo Saavedra. Thank you for your wonderful achievement. My friends, this is a success story. But it's not just Melvin's story, it's California's story. All across the State, elementary schools are on the rise.

But we still have a lot of work to do.

Test scores show, while elementary students are improving rapidly, middle-school students are showing only modest improvement.

Educators tell me that for all our new investments, the main thing they need now is more time to teach.

And so tonight I ask for your help, as I propose extending the school year in California by 30 days, starting where the need is greatest, right there in our middle schools.

That is 30 days of additional classroom instruction. No busy work; just teaching. Now, this program is voluntary. But the schools and teachers who participate will receive generous financial incentives and strict accountability measures will be put in place.

It's just a month, but it adds up to the longest school year in the nation. And it will make a huge difference for our children, as they cross the critical bridge between elementary and high school.

Now, we also need to match high standards with high-quality instruction.

Two years ago, you were good enough to allow us to send 6,000 teachers to attend the Professional Development Institutes, organized by the University of California. Last year, we funded an additional 70,000 teachers.

It has been the most ambitious, and I believe the most effective teacher-training initiative ever launched in America. And it has produced some of the best-trained, most highly-motivated teachers in America.

Over the next three years, we simply must give every teacher who teaches math or reading the benefit of this experience.

That's 200,000 math and reading teachers receiving 40 hours of intensive out-of-the-classroom training and 80 hours of critical follow-up support, all according to UC standards.

Together, we can build the best-trained, most highly-skilled army of teachers ever. I say, let's do it. Now, when my wife and I visit schools, we've seen firsthand how a strong and determined principal, like Melvin's Susan Grossman, can literally elevate a school. So this year, I will request funds to train every principal and every vice-principal in California -- 15,000 in all -- in programs that meet University of California criteria. But there's more to the equation. Studies show that young people who take algebra succeed at much higher rates than those who don't.

To the next generation of Californians, I say this: Do the math.

Ninety percent of all new jobs require advanced math skills. More than ever, math is the doorway to higher learning and future successes.

Since I've taken office, we've been implementing the toughest math standards in the nation.

Last year, I was very pleased to sign Senator Poochigian's bill that requires, for the first time, that every student in California must take algebra before they graduate from high school. And I say, it was about time. But our challenge now is recruiting 1,300 new algebra teachers to meet this new demand.

So I will ask you to fund a 30 million-dollar algebra initiative. Again, this is a financial incentive for schools to attract and retain high-quality algebra teachers.

While we've been investing in our oldest students, we shouldn't forget our youngest.

Too many children step aboard a school bus for the first time without developing a solid foundation for learning, right from the start.

To help our children prepare for the rigors of the classroom, I will appoint a task force led by my new Secretary for Education, Kerry Mazzoni, in partnership with the California Children and Families Commission, including its chairman, Rob Reiner, to explore a comprehensive "school readiness" initiative. I will ask them to focus on finding ways to provide local communities with critical resources, including Proposition 10 funds, to help prepare our children for a lifetime of learning and success.

Please join me in welcoming and thanking my new Secretary of Education, Kerry Mazzoni, and Chairman Rob Reiner.

As we unleash the full potential of our children's minds, we are also ensuring that their bodies are healthy and strong.

Can anyone in this chamber imagine your child without health care? Thanks to Healthy Families, more parents than ever don't have to do that.

When I was elected, only 30,000 kids were signed up for our Healthy Families Program. Today, I'm proud to report 375,000 children are enrolled; a twelve-fold increase.

This expansion of Healthy Families, combined with a strong economy, has produced another piece of good news. Tonight I'm very pleased to announce the first real decrease in the number of uninsured Californians in the last two decades. In a single year, together we moved 500,000 Californians to the ranks of the insured.

Yes, we are making progress, but our job is still not done.

It's time to recognize that a healthy family is more than healthy children: It's also healthy mothers and

fathers.

I have already requested a federal waiver that will allow California to become only the fourth state in the nation to include parents in this program.

With your help, we will provide health care coverage to 290,000 working parents.

Finally, I want to say a word about what we're doing to make California government more accessible to the people of California.

Tonight we will launch our new state government Web site, the "My California" homepage. We're using Web technology to personalize government in a way no other state has ever done.

With advice from the best minds in Silicon Valley, who were part of our Web council, we have developed an Internet site that makes it simple to register your car, obtain a fishing license, check up on your school's academic performance, and much, much more.

By next week, we will post information on our new campaign to conserve energy, all through a seamless, state-of-the-art Web portal found at "my.ca.gov," your online link to California.

My friends, this is a time of great challenge for California.

But you and I have demonstrated to the people of this wonderful State, we are fully-prepared to face those challenges and provide practical solutions.

Education, energy, e-government, health care. In a couple days, I will propose my budget with additional initiatives in higher education, tax relief, public safety and environmental protection.

On all these issues, we must continue to be united by our collective desire to serve the people of this great State; to be guided by common values that cause us to seek common ground.

All of us -- Republicans and Democrats alike -- have a duty to govern boldly and responsibly, with compassion and accountability, with big hearts and tough minds.

Now, let us move forward, in the spirit of bipartisan resolve. Together, we will bridge the gap between the California that is and the California that is yet to be.

Thank you. God bless you. God bless California.

Text of 2001 State of the State Address  
presented on January 8, 2001 by Governor  
Gray Davis. Printed February 26, 2001,  
from Governor's web page:  
[www.governor.ca.gov](http://www.governor.ca.gov).